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Brazil

Oilseeds and Products

Annual

2003

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Report Highlights:
The boom continues! Brazilian soybean production and exports after a remarkable 2002 crop are headed to new heights with the 2003 harvest now under way. Blessed with high international market prices and a strong US Dollar, Brazilian producers have been propelled to plant as much soybeans as possible. After a few years of decline, cottonseed production will recover slightly in 2003, and the outlook for 2004 is for an expansion in both crops.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Oilseed production – soybeans and cottonseed – for the 2003 marketing year is in full swing in Brazil and will represent yet another remarkable jump in output with a record 52.2 million metric tons (MMT). Nearly all the gain is attributable to increased soybean production: area and heightened yield attributable to solid crop management, favorable weather and the right inputs are responsible for the increase over last season. New crop soybean area expanded due to domestic prices that just keep rising during 2002 combined with a U.S. Dollar that bought about 45 percent more in Brazilian Reais by the end of 2002 compared to twelve months earlier. These factors made soybeans a more profitable crop to grow than other commodities that compete most directly for area: corn and cotton. At the end of February 2003, there is little to curb the optimism of the soybean sector and growing/harvesting conditions are excellent. Cotton production for 2003 will show some improvement over last years's crop due to improved yields though area is down by over three percent.

The forecast for the 2004 oilseeds crop, which will be planted in late 2003, is over 55.3 MMT which is based on more soybean area with a small decline in soybean yields, and additional cotton output due to increased area and yields. Unless there's a collapse in soybean prices internationally, soybean area will continue to expand, particularly in the state of Mato Grosso, and by a greater percentage in states like Tocantins, Piauí and Maranhão. The general outlook for soybean production is for continued solid yields with an increase in area, particularly in the regions where new lands are being brought into production: the North, Northeast and Center-west (CW) states. With abundant land suitable for large scale, mechanized production yet to be opened, and generally favorable weather conditions, continued strength in international prices or new investment in the Brazilian transportation system can be expected to result in additional crop area. As it is, producers are in good shape financially, and the local and world markets continue to need their output.

Though the GOB had contemplated taking action through the WTO against U.S. domestic support for soybean farmers stateside, in light of the prosperity of Brazil's producers, this idea has been shelved. Nevertheless, the GOB and various Brazilian agricultural players are critical of U.S. farm support programs in general, claiming damage to Brazilian farmers resulting from what is viewed as greater U.S. production than would be true in the absence of domestic support. Indeed, after requesting consultations with the U.S. over support to U.S. cotton growers in late 2002, and after apparent dissatisfaction, in February 2003 Brazil formally requested a WTO Dispute Panel to consider the effect of U.S. domestic programs. The GOB is also pursuing a Dispute Panel versus the EU's sugar support programs.

Obviously, with more soybeans and cottonseed, more crushing will provide more meal and oil, and domestic crush capacity expanded more than two percent from 2001 to 2002. The exemption of soybeans and derivatives from export taxation which began in 1996 is expected to continue, and as tempting a potential revenue source that taxing exports would be to the new Lula Administration looking to bolster government resources, most industry observers anticipate no change in this taxation policy for the time being.

Here in the first part of 2003, the issue of how Brazil proceeds on biotechnology looks as if it will be determined shortly. Actual use of Roundup Ready soybean varieties will represent from ten to twenty percent of this year's crop even though these varieties are not legally authorized to be grown. As matters stand, an inter-ministerial working group from nine GOB ministries will recommend policy for the handling of the 2003 crop (already underway) and for future

production and marketing decisions.

I. SITUATION AND OUTLOOK

U.S. Agricultural Trade Office/São Paulo (ATO/SP) projects 2003 (Feb '03-Jan '04)) oilseed production – soybeans and cottonseed – at a record 52.2 MMT. Attractive prices for Brazil's soybean growers leading to more soybean area and better yields for both commodities owing to good crop management, favorable weather and suitable seed varieties explain the projected explosion of close to 25% in oilseeds' output compared to last season. This report focuses on soybeans and cotton, but Brazil also produces sunflower-seed, canola and palm oil in small quantities. Corn is produced in significant quantities in Brazil, but little goes into vegetable oil production. Soybean, the dominant oilseed crop, accounts for more than 97 percent of the total oilseed production in this analysis; the remainder is cottonseed.

New crop soybean area accounts for most of the increase over last season due to market signals producers received throughout 2002. Also, given that a lot of the fertilizer business for the 2003 crop was done in the April-June 2002 period, producers also benefitted from relatively lower costs for these inputs than they would have faced at the time of planting the crop. Soybean prices that increased steadily in Chicago as well as at various sales points throughout Brazil in the course of 2002, clearly encouraged producers to plant as much soy as possible. This was the case even though corn prices also rose sharply from the beginning to the end of 2002, and producer cotton prices have improved since the August-September 2002 period.

Conditions for the 2003 soybean harvest are very favorable, although low rainfall levels in parts of Mato Grosso necessitated some replanting in that state in late November and early December 2002. Taken as a whole, all regions that produce soybeans are reporting very good soybean finishing/harvesting conditions for this year's crop. Overall, the level of input use has continued at levels deemed very acceptable by cooperative and supply company technical sources. The use of shorter season varieties is also expanding, increasing new crop availability earlier in the year and facilitating the planting of second crop corn in many areas. The results are expectations for very good yields this season and further optimism regarding a strong start for the 2004.

As for cottonseed, despite the reduction in cotton area, yield gains will more than compensate and produce a larger overall crop versus 2002.

The forecast for the 2003/04 crop (MY '04), which will be planted in late 2003, at 55.3 MMT, incorporates additional soybean and cotton area, with slightly lower soybean yields, and additional cotton output due to increased planted area. The upward trend in soybean area is expected to continue, particularly in the state of Mato Grosso, as acceptable domestic soybean prices, producers' balance sheets in the black and continued application of technology present factors to support another strong planting season. Cotton area is also forecast to recover from this season's decline due to the trade expectation for continued improvement in local prices. The impact of out year corn planting will depend on corn prices later this marketing year, and will have some effect on final soybean planting intentions, but if prices are right, new land will be the main source for more area.

The ATO/SP estimate of the 2001/02 oilseed crop was increased close to 1 MMT in view of the larger soybean crop than had been previously projected. The general outlook for soybean production is for upward trending average yields as planted area in the new agricultural expansion regions of the North, Northeast and Center-west states, where higher average yields are realized, continues. With abundant land suitable for large scale, mechanized production yet to be opened, and generally favorable weather conditions, continued strength in international prices or improvements in the

Brazilian transportation system, can be expected to result in additional crop area. Significant distance and infrastructure challenges to be still need to be addressed (See Total Oilseeds, Marketing, Infrastructure). In addition, fertilizer and fuel prices have been increased because of rising international petroleum prices, and it remains to be seen how international commodity demand will be influenced in the event of war in the Middle East.

Production financing reamins important to future development in domestic oilseed production. GOB production financing plays more of a role with Brazilian farmers in the South, but in the newer, higher yielding regions, farms are too large to gain significant GOB assistance. The soybean processors, exporters and input suppliers provide the bulk of production financing received by those farmers.

As mentioned in the previous section, the GOB has filed suit against both the U.S. and EU over domestic support provided to cotton and sugar producers respectively. In view of the prosperity of Brazil's soybean growers however, plans to pursue a similar suit against the U.S. have been tabled. On the domestic policy front, the exemption of soybeans and derivatives from export taxation in 1996 has played a part in boosting the commodity and product exports from this sector. In fact, because interstate soybean shipments for processing are subject to taxation, there is a prevailing incentive to export soybeans over domestic processing for the export of soybean meal and oil. The exemption for soybeans and products from this tax is not anticipated to change in the near future, though some suggest that corn could be the target of export taxation if the local market tightened sufficiently.

The outlook for the domestic soybean crush is for continued growth in step with larger crop size. Meal and oil output will move in line with the crush. Although meal demand drives the processing sector, oil prices increased strongly through 2002 while FOB meal prices increased just five percent in the course of last year. Demand for Brazilian soybean meal was strong domestically due to the strength of poultry and pork production and exports, although growth in demand for feed is expected to slow in late 2003 and early 2004, compared to the first three years of this decade. As products go, in absolute volume and as a percentage of production, much more meal than oil is exported. Domestic oil consumption is increasing with population growth, with soybean oil the dominant Brazilian cooking oil.

Biotechnology is an issue on which Brazil is nearing a decision in this first quarter of 2003. Since a 1999 court action disallowed the commercial planting of Roundup Ready soybeans and a majority of a three-judge panel of the Brasilia Appeals Court has yet to render a decision on approving or rejecting the commercial use of biotech seeds (one judge came out in favor in February 2002), government decision making has taken a new twist. In February 2003, a working group comprised of nine ministries was formed to decide what to do with the biotech portion of the 2003 crop and to recommend what the policy should be from now on. While exporters want to continue to have the non-biotech cachet, estimates are that 70 percent of the Rio Grande do Sul crop is produced from biotech seed varieties, and there is some indication these seed types have been planted in states to the north Still, there are signs that a modified, less-lenient policy may be adopted shortly (See Total Oilseeds, Policy, Biotechnology).

Cotton area is expected to increase next season after two years of decline. Low returns, relative to those realized with soybeans and the significant investment cotton production entails are the main reasons for the fall off that has occurred . For the coming year at least, cotton sector analysts are optimistic that more area will be planted to cotton because of better prices for producers related to the tightening in the world supply/demand scenario. Indeed, still in the first quarter of 2003, traders are already setting forward contracts with Brazilian growers for some of the 2004 crop.

II. STATISTICAL TABLES

A. PRODUCTION, SUPPLY & DEMAND TABLES

TOTAL OILSEEDS	2001		2002		2003	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(2002)		(2003)		(2004)	
Area Planted	16,415	17,142	16,800	18,916	0	20,251
Area Harvested	16,415	17,092	16,750	18,891	0	20,151
Beginning Stocks	243	350	553	500	593	500
Production	43,625	44,529	43,175	52,263	0	55,324
MY Imports	850	1,051	900	701	0	601
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	44,718	45,930	44,628	53,464	593	56,425
MY Exports	17,600	16,178	17,500	20,003	0	21,503
MY Exp. to the EC	10,000	9,700	10,000	10,500	0	11,000
Crush Dom. Consumption	24,680	27,145	24,625	30,873	0	32,119
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	1,885	2,107	1,910	2,088	0	2,103
Total Dom. Consumption	26,565	29,252	26,535	32,961	0	34,222
Ending Stocks	553	500	593	500	593	700
TOTAL DISTRIBUTION	44,718	45,930	44,628	53,464	593	56,425
Calendar Year Imports	850	1,045	900	701	0	701
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	17,500	16,000	17,500	20,002	0	21,503
Calndr Yr Exp. to U.S.	0	3	0	10	0	15

TOTAL MEAL	2001		2002		2003	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(2002)		(2003)		(2004)	
Crush	24,680	27,145	24,625	30,873	0	32,119
Extr. Rate	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Stocks	140	380	190	380	340	405
Production	19,210	20,961	19,155	24,126	0	24,800
MY Imports	105	407	105	255	0	105
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	19,455	21,748	19,450	24,761	340	25,310
MY Exports	11,025	12,850	10,750	15,275	0	15,675
MY Exp. to the EC	9,500	9,625	9,500	10,025	0	10,525
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	8,240	8,493	8,460	9,081	0	9,225
Total Dom. Consumption	8,240	8,493	8,460	9,081	0	9,225
Ending Stocks	190	405	240	405	340	410
TOTAL DISTRIBUTION	19,455	21,748	19,450	24,761	340	25,310
Calendar Year Imports	0	373	0	105	0	0
Calendar Yr Imp. U.S.	0	1	0	2	0	1
Calendar Year Exports	11,000	12,575	10,750	13,423	0	14,025
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

TOTAL OIL	2001		2002		2003	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(2002)		(2003)		(2004)	
Crush	24,680	27,145	24,625	30,873	0	32,119
Extr. Rate	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Stocks	81	140	111	125	146	100
Production	4,662	5,126	4,650	5,856	0	6,013
MY Imports	155	143	155	128	0	102
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	4,898	5,409	4,916	6,109	146	6,215
MY Exports	1,620	2,058	1,520	2,665	0	2,590
MY Exp. to the EC	25	14	25	15	0	15
Industrial Dom. Consum	267	270	270	260	0	265
Food Use Dom. Consump.	2,900	2,956	2,980	3,084	0	3,260
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	3,167	3,226	3,250	3,344	0	3,525
Ending Stocks	111	125	146	100	146	100
TOTAL DISTRIBUTION	4,898	5,409	4,916	6,109	146	6,215
Calendar Year Imports	155	139	155	115	0	100
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	1,620	2,000	1,520	2,355	0	2,560
Calndr Yr Exp. to U.S.	0	5	0	5	0	5

PSD Table						
Country	Brazil					
Commodity	**Oilseed, Soybean**				(1000 HA)(1000 MT)	
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	02/2002		02/2003		02/2004	
Area Planted	15650	16400	16000	18200	0	19500
Area Harvested	15650	16350	15950	18175	0	19400
Beginning Stocks	243	350	553	500	593	500
Production	42500	43300	42000	51000	0	54000
MY Imports	850	1050	900	700	0	600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	43593	44700	43453	52200	593	55100
MY Exports	17600	16175	17500	20000	0	21500
MY Exp. to the EC	10000	9700	10000	10500	0	11000
Crush Dom. Consumption	23700	26200	23600	29900	0	31100
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	1740	1825	1760	1800	0	1800
TOTAL Dom. Consumption	25440	28025	25360	31700	0	32900
Ending Stocks	553	500	593	500	575	700
TOTAL DISTRIBUTION	43593	44700	43453	52200	575	55100
Calendar Year Imports	850	1045	900	700	0	700
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	17500	16000	17500	20000	0	21500
Calndr Yr Exp. to U.S.	0	3	0	10	0	15

PSD Table						
Country	Brazil					
Commodity	**Meal, Soybean**			(1000 MT)(PERCENT)		
	Revised 2001		Preliminary 2002		Forecast2003	
	Old	New	Old	New	Old	New
Market Year Begin	02/2002		02/2003		02/2004	
Crush	23700	26200	23600	29900	0	31100
Extr. Rate, 999.9999	0.787975	0.780534	0.788136	0.789298	ERR	0.779743
Beginning Stocks	135	375	185	375	335	400
Production	18675	20450	18600	23600	0	24250
MY Imports	100	400	100	250	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	18910	21225	18885	24225	335	24750
MY Exports	11025	12825	10750	15250	0	15650
MY Exp. to the EC	9500	9600	9500	10000	0	10500
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	7700	8000	7900	8575	0	8700
TOTAL Dom. Consumption	7700	8000	7900	8575	0	8700
Ending Stocks	185	400	235	400	0	400
TOTAL DISTRIBUTION	18910	21225	18885	24225	0	24750
Calendar Year Imports	0	368	0	100	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	11000	12550	10750	13400	0	14000
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	**Oil, Soybean**			(1000 MT)(PERCENT)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	02/2002		02/2003		02/2004	
Crush	23700	26200	23600	29900	0	31100
Extr. Rate, 999.9999	0.190084	0.189885	0.190042	0.190635	ERR	0.188103
Beginning Stocks	81	140	111	125	146	100
Production	4505	4975	4485	5700	0	5850
MY Imports	150	140	150	125	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	4736	5255	4746	5950	146	6050
MY Exports	1600	2000	1500	2600	0	2525
MY Exp. to the EC	25	14	25	15	0	15
Industrial Dom. Consum	220	230	225	220	0	225
Food Use Dom. Consump.	2805	2900	2875	3030	0	3200
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	3025	3130	3100	3250	0	3425
Ending Stocks	111	125	146	100	0	100
TOTAL DISTRIBUTION	4736	5255	4746	5950	0	6050
Calendar Year Imports	150	134	150	110	0	100
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	1600	1950	1500	2300	0	2500
Calndr Yr Exp. to U.S.	0	4	0	5	0	5

PSD Table						
Country	Brazil					
Commodity	**Oilseed, Cottonseed**			(1000 HA)(1000 MT)(RATIO)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Area Planted (COTTON)	765	742	800	716	0	751
Area Harvested(COTTON)	765	742	800	716	0	751
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	1125	1229	1175	1263	0	1324
MY Imports	0	1	0	1	0	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1125	1230	1175	1264	0	1325
MY Exports	0	3	0	3	0	3
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	980	945	1025	973	0	1019
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cm.	145	282	150	288	0	303
TOTAL Dom. Consumption	1125	1227	1175	1261	0	1322
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1125	1230	1175	1264	0	1325
Calendar Year Imports	0	0	0	1	0	1
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	2	0	3
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	**Meal, Cottonseed**			(1000 MT)(PERCENT)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Crush	980	945	1025	973	0	1019
Extr. Rate, 999.9999	0.545918	0.540741	0.541463	0.540596	ERR	0.539745
Beginning Stocks	5	5	5	5	5	5
Production	535	511	555	526	0	550
MY Imports	5	7	5	5	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	545	523	565	536	5	560
MY Exports	0	25	0	25	0	25
MY Exp. to the EC	0	25	0	25	0	25
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	540	493	560	506	0	525
TOTAL Dom. Consumption	540	493	560	506	0	530
Ending Stocks	5	5	5	5	0	5
TOTAL DISTRIBUTION	545	523	565	536	0	560
Calendar Year Imports	0	5	0	5	0	0
Calendar Yr Imp. U.S.	0	1	0	2	0	1
Calendar Year Exports	0	25	0	23	0	25
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	**Oil, Cottonseed**			(1000 MT)(PERCENT)		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Crush	980	945	1025	973	0	1019
Extr. Rate, 999.9999	0.160204	0.159788	0.160976	0.160329	ERR	0.159961
Beginning Stocks	0	0	0	0	0	0
Production	157	151	165	156	0	163
MY Imports	5	3	5	3	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	162	154	170	159	0	165
MY Exports	20	58	20	65	0	65
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	47	40	45	40	0	40
Food Use Dom. Consump.	95	56	105	54	0	60
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	142	96	150	94	0	100
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	162	154	170	159	0	165
Calendar Year Imports	5	5	5	5	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	20	50	20	55	0	60
Calndr Yr Exp. to U.S.	0	1	0	0	0	0

B. TRADE MATRICES

Import Trade Matrix			
Country	Brazil		
Commodity	**Oilseed, Soybean - Imports**		
Time period	Jan-Dec	Units:	1,000 MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Paraguay	850	Paraguay	1045
Total for Others	850		1045
Others not Listed	0		0
Grand Total	850		1045

Export Trade Matrix			
Country	Brazil		
Commodity	**Oilseed, Soybean - Exports**		
Time period	Jan-Dec	Units:	1,000 MT
Exports for:	2001		2002
U.S.		U.S.	3
Others		Others	
Netherlands	3,319	China	4,142
China	3,192	Netherlands	2,946
Germany	1,574	Germany	1,588
Spain	1.368	Spain	1,209
Portugal	878	Portugal	920
Belgium	795	Japan	712
Japan	768	Belgium	692
Italy	728	United Kingdom	668
United Kingdom	511	Italy	521
France	459	France	502
Total for Others	13,592		13900
Others not Listed	2,108		2,097
Grand Total	15700		16000
Source for both tables above: SECEX			

Import Trade Matrix			
Country	Brazil		
Commodity	**Meal, Soybean - Imports**		
Time period	Jan-Dec	Units:	1,000 MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Paraguay	219	Paraguay	368
Total for Others	219		368
Others not Listed	0		0
Grand Total	219		368

Export Trade Matrix			
Country	Brazil		
Commodity	**Meal, Soybean - Exports**		
Time period	Jan-Dec	Units:	1,000 MT
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Netherlands	3,153	Netherlands	3,633
France	2,717	France	2,758
Germany	840	Belgium	646
Italy	678	Italy	594
South Korea	596	Germany	593
Belgium	591	South Korea	579
United Kingdom	576	United Kingdom	503
Spain	337	Thailand	490
Thailand	268	Spain	454
Saudi Arabia	254	Indonesia	448
Total for Others	10010		10698
Others not Listed	1,290		1852
Grand Total	11300		12550
Source for both tables above: SECEX			

Import Trade Matrix			
Country	Brazil		
Commodity	**Oil, Soybean - Imports**		
Time period	Jan-Dec.	Units:	1,000 MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Argentina	57	Argentina	117
Paraguay	16	Paraguay	17
Total for Others	73		134
Others not Listed	0		0
Grand Total	73		134

Export Trade Matrix			
Country	Brazil		
Commodity	**Oil, Soybean - Exports**		
Time period	Jan-Dec	Units:	1,000 MT
Exports for:	2001		2002
U.S.	0	U.S.	4
Others		Others	
Iran	405	Iran	573
India	401	India	409
Bangladesh	161	China	299
Morocco	117	Egypt	116
Hong Kong	114	Morocco	92
Egypt	104	Hong Kong	82
Malaysia	44	Bangladesh	77
Cuba	42	Senegal	44
Senegal	33	South Africa	36
Haiti	24	Russia	31
Total for Others	1445		1759
Others not Listed	202		187
Grand Total	1647		1950
Source for both tables above: SECEX			

Import Trade Matrix			
Country	Brazil		
Commodity	**Oilseed, Cottonseed - Imports**		
Time period	Jan-Dec	Units:	1,000 MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Paraguay	1	Paraguay	1
Total for Others	1		1
Others not Listed	0		0
Grand Total	1		1

Export Trade Matrix			
Country	Brazil		
Commodity	**Oilseed, Cottonseed - Exports**		
Time period	Jan-Dec.	Units:	1,000 MT
Exports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
North Korea	5	Paraguay	1
South Korea	2	South Korea	1
Japan	1	Japan	1
Total for Others	8		3
Others not Listed	0		0
Grand Total	8		3
Source for both tables above: SECEX			

Import Trade Matrix			
Country	Brazil		
Commodity	**Meal, Cottonseed - Imports**		
Time period	Jan-Dec	Units:	1,000 MT
Imports for:	2001		2002
U.S.	5	U.S.	0.7
Others		Others	
		Argentina	6
		Uruguay	0.3
Total for Others	0		6.3
Others not Listed	0		0
Grand Total	5		7

Export Trade Matrix			
Country	Brazil		
Commodity	**Meal, Cottonseed - Exports**		
Time period	Jan-Dec	Units:	1,000 MT
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
United Kingdom	7	Netherlands	23
		Germany	1
		United Kingdom	1
Total for Others	7		25
Others not Listed	0		0
Grand Total	7		25
Source for both tables above: SECEX			

Import Trade Matrix			
Country	Brazil		
Commodity	**Oil, Cottonseed - Imports**		
Time period	Jan-Dec	Units:	1,000 MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Paraguay	1	Paraguay	2
		Argentina	1
Total for Others	1		3
Others not Listed	0		0
Grand Total	1		3

Export Trade Matrix			
Country	Brazil		
Commodity	**Oil, Cottonseed - Exports**		
Time period	Jan-Dec	Units:	1,000 MT
Exports for:	2001		2002
U.S.	0	U.S.	1
Others		Others	
South Africa	30	South Africa	39
Egypt	14	India	6
India	6	Egypt	5
		Malaysia	3
		China	2.5
		South Korea	1
Total for Others	50		56.5
Others not Listed	0		0.5
Grand Total	50		58
Source for both tables above: SECEX			

C. PRICE TABLES

Prices Table			
Country	Brazil		
Commodity	**Oilseed, Soybean**		
Prices in	U.S. $	per uom	Metric Ton
Year	2001	2002	% Change
Jan	163.93	167.92	2.43%
Feb	166.09	162.44	-2.20%
Mar	161.57	161.68	0.07%
Apr	159.00	174.86	9.97%
May	163.55	183.80	12.38%
Jun	173.48	194.15	11.91%
Jul	195.85	210.23	7.34%
Aug	197.32	216.06	9.50%
Sep	191.81	228.21	18.98%
Oct	175.28	221.91	26.60%
Nov	194.59	210.46	8.16%
Dec	182.09	208.28	14.38%
Exchange Rate	3.5 Reais	Local currency/US $	
Export Price FOB Paranagua			

Domestic Soybean Prices (R$/60 kg. bag)								
Month/Location	2001				2002			
	PR 1/	SP 2/	RS 3/	MT 4/	PR 1/	SP 2/	RS 3/	MT 4/
Jan	20.19	19.57	20.94	17.83	25.68	27.17	26.92	21.44
Feb	17.87	17.51	19.79	15.47	22.13	22.53	24.49	18.31
Mar	16.80	18.15	18.21	14.87	20.45	20.67	21.63	17.7
Apr	17.10	18.27	17.59	14.98	21.81	21.34	22.01	18.66
May	18.81	18.97	19.30	16.32	24.49	23.59	24.59	21.85
Jun	21.19	20.71	21.81	18.67	28.36	27.42	29	25.27
Jul	25.02	24.53	25.44	22.43	32.11	31.66	33.08	29.46
Aug	27.04	25.77	27.14	24.08	35.17	35.33	35.8	31.94
Sep	28.85	27.12	28.78	25.46	41.28	39.58	40.98	38.18
Oct	29.52	28.38	29.77	25.85	45.95	44.92	46.68	43.01
Nov	30.00	29.42	29.95	25.65	46.71	46.51	47.56	43.35
Dec	27.30	27.89	27.16	24.12	48.67	45.64	48.98	43.13

Note: 1/ Maringá, Paraná; 2/ Mogiana, São Paulo; 3/ Passo Fundo, Rio Grande do Sul;4/ Rondonópolis, Mato Grosso. Source for both tables above: ABIOVE (www.abiove.com.br)

Prices Table			
Country	Brazil		
Commodity	**Meal, Soybean**		
Prices in	U.S. $	per uom	Metric Ton
Year	2001	2002	% Change
Jan	201.24	178.08	-11.51%
Feb	181.26	163.17	-9.98%
Mar	167.90	158.95	-5.33%
Apr	159.86	165.84	3.74%
May	169.73	166.00	-2.20%
Jun	184.37	168.29	-8.72%
Jul	185.35	174.00	-6.12%
Aug	181.42	174.85	-3.62%
Sep	188.60	184.69	-2.07%
Oct	186.94	178.79	-4.36%
Nov	187.96	186.22	-0.93%
Dec	175.05	185.26	5.83%
Exchange Rate	3.5 Reais	Local currency/US $	

Export Price FOB Paranagua for table above and below			
Prices Table			
Country	Brazil		
Commodity	**Oil, Soybean**		
Prices in	U.S. $	per uom	Metric Ton
Year	2001	2002	% Change
Jan	271.61	363.25	33.74%
Feb	269.62	328.65	21.89%
Mar	294.18	317.08	7.78%
Apr	283.29	338.57	19.51%
May	271.52	376.02	38.49%
Jun	284.35	419.45	47.51%
Jul	352.52	421.41	19.54%
Aug	367.95	474.83	29.05%
Sep	334.88	468.42	39.88%
Oct	320.99	472.62	47.24%
Nov	349.43	540.57	54.70%

Dec	362.47	549.00	51.46%
Exchange Rate	3.5 Reais	Local currency/US $	
Source for both tables above: ABIOVE (www.abiove.com.br)			

Domestic Soybean Oil Prices: Crude and Refined
(Brazilian Reais/Unit)

	2001		2002	
Month	Crude 1/	Refined 2/	Crude 1/	Refined 2/
Jan	592.50	21.70	1,040	27
Feb	597.00	21.40	932.5	26.6
Mar	687.50	21.15	860	25.4
Apr	696.25	21.20	896.25	24.1
may	699.00	21.80	1041.6	24.48
Jun	771.25	22.20	1272.5	27
Jul	955.00	23.20	1332.5	29.53
Aug	1,070.00	28.00	1669	31
Sep	1,006.00	30.00	1837.5	37.3
Oct	1,005.00	30.20	2082	41.56
Nov	1,039.00	30.00	2252.5	46.05
Dec	1,013.75	29.40	2341.25	47.85

Note: 1/ São Paulo - R$/MT - w/ICMS 12%. 2/ Retail - São Paulo - R$/20 unit case of 900 ml cans. Source: ABIOVE (www.abiove.com.br)

D. TARIFF TABLE

MERCOSUL Common External Tariff			
Tariff	Code	Description	%
1201		Soybeans	
	.00.10	Seed for planting	0
	.00.90	Other	9.5
1207		Cotton	
	.20.10	Seed for planting	0
	.20.90	Cottonseed	9.5
1507		Soybean oil, not chemically modified	
	.10.00	Crude	11.5
	.90	Other	
	.90.10	Refined	13.5
	.90.90	Other	11.5
1512		Cottonseed oil	
	.21.00	Crude	11.5
	.29	Other	
	.29.10	Refined	11.5
	.29.90	Other	11.5
1208		Oilseed flour	
	.10.00	Soybean	11.5
	.90.00	Other	11.5
2304		Meals resulted from extraction of soybean oil	
	.00.10	Meals & pellets	7.5
	.00.90	Other	7.5
2306		Meals resulted from extraction of vegetable oils	
	.10.00	Cottonseed meal	7.5
Source: Brazilian Government - Aduaneiras Tarifa Externa Comun (TEC)			

E. EXCHANGE RATE

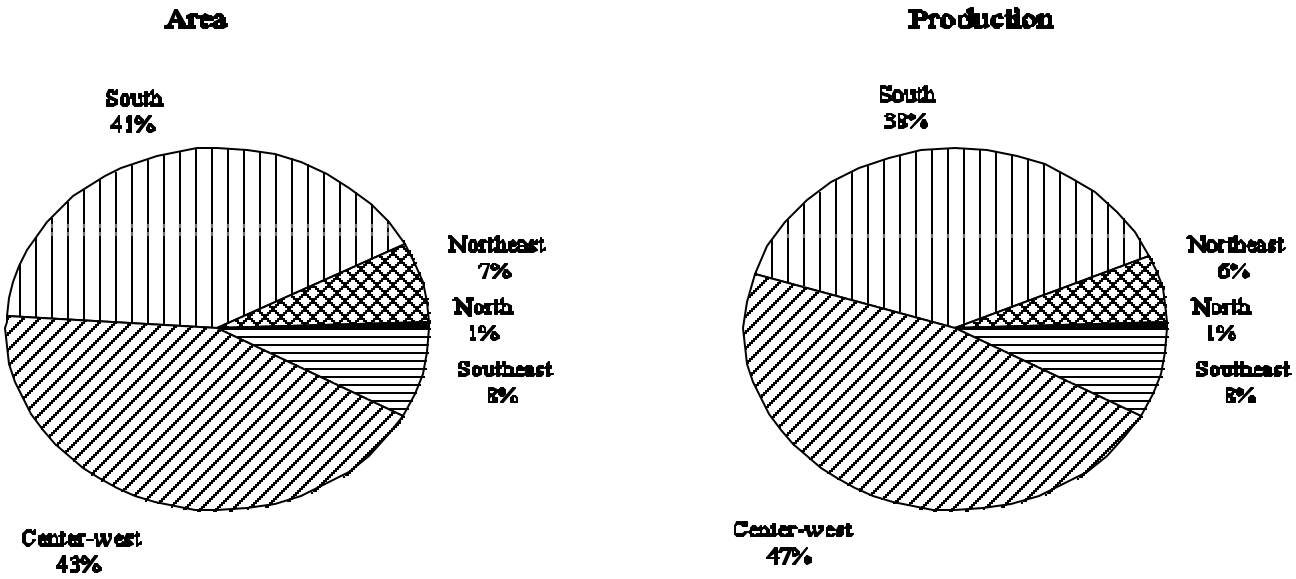
Exchange Rate: R$/US$			
Month/Year	2001	2002	Chng
Jan	1.97	2.42	23%
Feb	2.04	2.35	15%
Mar	2.16	2.32	8%
Apr	2.22	2.36	6%
May	2.36	2.52	7%
Jun	2.30	2.84	24%
Jul	2.43	3.43	41%
Aug	2.55	3.02	19%
Sep	2.67	3.89	46%
Oct	2.71	3.65	35%
Nov	2.53	3.59	42%
Dec	2.32	3.53	52%
Ave	2.35	2.99	27%
Monthly average buy Source: Gazeta Mercantil (www.gazeta.com.br)			

III. NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING

A. TOTAL OILSEEDS

Production

Projected Brazilian 2002/03 Soybean Area & Production by Region (% of Total)



Source: MINAG, CONAB

Area

New crop soybean (crop year 2002/03, MY 2003/04 (Feb-Jan)) area continued in the trend of the recent past by increasing just under eleven percent from last year's area. This expansion is a result of high market prices for soybeans, a strengthened US dollar on which this commodity price is based and a better return relative to corn and cotton. With the planting of the crop now being harvested farmers shifted less than 1 percent of corn area to soy and just over three percent of cotton area to soy but relied most on opening up significantly more pasture and new lands. Industry estimates for new crop planted area are generally in line with the Ministry of Agriculture (CONAB) February 2003 estimate of 17.96 million hectares (MHa). The area increase occurred across Brazil. As was true with last year's crop, Mato Grosso, Paraná and Rio Grande do Sul continue to be the states devoting most area to soy production and account for nearly 65 percent of total soybean area.

As long as international market prices hold up and the exchange rate continues at at least 3 Brazilian Reais to 1 U.S. Dollar, there is no reason to expect a dramatic drop off in the rate at which pasture and new lands are brought into

production. Even if Chicago soybean prices were to dip below $4/bushel, as long as the Brazilian Real does not appreciate more than 10-15% versus the US Dollar, in view of low production costs, a number of analysts feel that area growth in Mato Grosso could continue at a rate of 8-10 percent annually for a number of years still. In fact, it is difficult to accurately measure the land that is being brought into production each year. Surprising as it may seem , there will be additional opening of Paraná pasture ground, in addition to the continued development of "new lands" throughout the central Cerrado region. Compared to the 2002 crop, the states this year with the largest growth in soy area in percentage terms are Pará, Piauí, Roraima and Tocantins, though the combined level of their output is less than 1 MMT. Mitigating factors will continue to include international and domestic prices for soybeans and alternative crops, such as corn and cotton, input prices for fertilizer, herbicides and fungicides, of which a percentage is imported, and the opportunity costs for private sector funds.

In the south, one potential brake on more movement from corn to soybean area would be corn prices high enough to make this commodity's production more profitable than soybeans. But the 2003 first crop crop will benefit from better yields and current estimates are that 2nd crop corn production (the safrinha crop) will be quite large as well. Even though the 2003 safrinha crop may be seeded a bit later than normal because some soybean replanting was necessary due to insufficient precipitation back in November and the beginning of December, presently there isn't much concern about an effect on the planting of next season's soybeans.

While cotton area is down again with the crop that will be harvested through July of 2003, given tightened international supply and strengthened prices, industry leaders are optimistic about prospects for the coming year's crop and for the longer run. If potential returns are high enough, more area will be used for cotton production despite the high cost of production and the labor-intensive nature of the production of this commodity.

Official Brazilian Soybean Area, Production & Yield Estimates (Crop Year, 000 Ha, MT/Ha, 000 MT)

State/ Crop Year	Area			Production			Yield		
	01/02	37654	VAR (%)	01/02	02/03	VAR (%)	01/02	02/03	VAR (%)
Roraima	28.6	37.8	32.0	89.2	118.5	32.8	3,120	3,135	0.5
Pará	2.9	10	245.0	7.3	25.2	245.2	2,520	2,520	0.00
Tocantins	105	131.3	25.0	262.5	315.1	20.0	2,500	2,400	(4.0)
North	136.5	179.1	31.2	359.0	458.8	27.8	2,630	2,562	(2.6)
Maranhão	238.3	269.3	13.0	540.9	646.3	19.5	2,270	2,400	5.7
Piauí	86.8	117.2	35.0	91.1	281.3	208.8	1,050	2,400	128.6
Bahia	800	850.4	6.3	1,464.0	2,041.0	39.4	1,830	2,400	31.1
Northeast	1125.1	1236.9	9.9	2,096.0	2,968.6	41.6	1,863	2,400	28.8
Paraná	3283	3545.6	8.0	9,478.0	10,636.8	12.2	2,887	3,000	3.9
Santa Catarina	241.3	255.8	6.0	546.5	660.0	20.8	2,265	2,580	13.9
Rio Grande do Sul	3281.9	3544.5	8.0	5,579.2	7,797.9	39.8	1,700	2,200	29.4
South	6806.2	7345.9	7.9	15,603.7	19,094.7	22.4	2,293	2,599	13.3
Minas Gerais	719	790.9	10.0	1,926.9	2,135.4	10.8	2,680	2,700	0.7
São Paulo	567.1	604	6.5	1,525.5	1,661.0	8.9	2,690	2,750	2.2

Southeast	1286.1	1394.9	8.5	3,452.4	3,796.4	10.0	2,684	2,722	1.4
Mato Grosso	3853.2	4277.1	11.0	11,636.7	13,259.0	13.9	3,020	3,100	2.6
Mato Grosso do Sul	1192.2	1365.1	14.5	3,278.6	3,822.3	16.6	2,750	2,800	1.8
Goais	1887.4	2113.9	12.0	5,379.1	6,130.3	14.0	2,850	2,900	1.8
Federal District	37.7	43.4	15.0	101.4	117.2	15.6	2,690	2,700	0.4
Center-West	6970.5	7799.5	11.9	20,395.8	23,328.8	14.4	2,926	2,991	2.2
Total	16324.4	17956.3	10.0	41,906.9	49,647.3	18.5	2,567	2,765	7.7
Source: CONAB, March 2003 (www.conab.gov.br)									

Yields

Favorable domestic soybean contract prices, bolstered by further devaluation of the Real in the course of 2002, and ready financing from a variety of sources, encouraged producers to maintain their effective use of up-to-date technology. Fertilizer sales in 2002 were ahead of 2001's levels by 13 percent and each year, with greater area in production, more fertilizers are used. At the same time, as more acidic soils are brought into production, there has been a year-to-year augmentation in the use of lime to neutralize acidity, and lime is particularly important in preparing new-to-plant cerrado or savannah land that Brazil is increasingly bringing into production. For Brazil as a whole, soybean yields for the 2003 crop now being harvested are expected to show a better than five percent improvement versus the 2002 crop. So far through the production of this crop, weather has not been much of a problem, although there had been concerns with a lack of precipitation in parts of Mato Grosso in November 2002 when planting was in full swing. Current estimates from Brazil-based forecasters for the 2003 crop range from 49.5 to rumors of a handful forecasting in excess of 52 MMT.

As opposed to the crop harvested in 2002, weather conditions for this year's cotton crop as for soybeans have been beneficial to development and will lead to improved yields, assuming "normal" weather through the remainder of the production cycle.

Yield prospects for 2004 soybeans and cotton production will be determined largely by the use of technology and weather factors. Given the professional level of Brazilian producers and their healthy financial position, they should be expected to aggressively maintain their use of production technology and continue closely managing their operations. To date, Brazilian farmers have effectively adapted and developed production technology to meet the demanding conditions they confront. Active efforts in that regard including seed development through leading multinational plant genetics companies and GOB research through EMBRAPA are leading the way.

Leaf Rust

One problem caused by a virus that first began to get much attention in the development starting with the 2001 crop was leaf rust. For 2002, about 10 percent of acreage in Paraná, Rio Grande do Sul, Mato Grosso, Mato Grosso do Sul, Saõ Paulo and Goiás was influenced to varying degrees by this disease. According to Embrapa, 400,000 hectares were affected, and leaf rust has been found again in southern São Paulo state as well as in Mato Grosso this year. Left untreated, leaf rust results in premature leaf yellowing and shedding. In turn, this defoliation prevents the soybean from filling out normally. Leaf rust can be a problem in humid areas but doesn't affect bean development in dry, hotter

climate. Having said this, treatments for leaf rust are available, and industry consensus thus far is that it is a limited threat to soybean production overall.

Fertilizer Supply and Sales (TMT)				
Item	2000	2001	2002*	Chng +
Production	7,985	7,597	7,474	5.9
Imports	10,300	9,741	10,620	8.5
Sales	16,392	17,069	18,600	12.8

*: Column data for Jan-Nov 2002
+: Jan-Oct 2002/Jan-Oct 2001"
Source: National Fertilizer Assn (ANDA) (www.anda.org.br)

Total Fertilizer Sales & Relative Cost (Troca)				
Year	Qty 1/	Soybeans 2/	Corn 2/	Sugar Cane 3/
1997	13,834	14	34	15.3
1998	14,669	17	27	14.4
1999	13,689	21	31	22.8
2000	16392	18.9	27.7	18.9
2001	17069	18.8	42.1	17.2
Jan-Nov 2002	18600	16	32	17

1/ All commodities (TMT)
2/ 60 kg bags of commodity needed to buy 1 metric ton of fertilizer.
3/ Metric tons of cane needed to buy 1 metric ton of fertilizer.
Source: National Fertilizer Assn (ANDA) (www.anda.org.br)

Financing

Producers in late 2002 and early 2003 are in even better financial condition than was the case during the production of last year's crop. This is due to several years of expanding production and solid returns tied to Chicago-determined prices which continue to reflect a still-tight world oilseed situation. Given the link to international market pricing, a U.S. Dollar that strengthened to 3.5 Brazilian Reais in Feb. 2003 versus 2.35 Reais in February 2002 just made growing Brazilian soybeans all the more profitable.

Two-year term government credit for soybean producers is available up to an amount of R$200,000 (~US$57,100) for farmers in the Center-West and North regions as well as soy producers in Maranhão, Piauí and Bahia. For all other soy producing states, the limit is R$150,000(~US$42,850). The interest employed for these programs is 8.75% per year. Interestingly, though Brazil may not be thought of as a country that administers domestic support to its agricultural producers, the overall level of GOB support for the July 2002/June 2003 crop year was authorized at the level of R$21.7 billion (~US$6.2 billion). The impact of the various financing sources varies by region. On average, Southern producers, for instance, farm on fewer hectares so GOB credit covers more of their production costs. Concurrently,

the options for investment beyond their established crop area are limited. Producers in the new lands in the Center-West and the northern areas, on the other hand, are much larger and are able to invest easily in opening crop land. To do so, they confront additional equipment and other production input requirements, in addition to the cost of buying and clearing the land. There is consensus that middle and large-sized soybean farmers depend little on government programs. Instead, most credit to farms planting soybeans is provided by seed suppliers as well as by the companies who market the soybeans and derivatives themselves. With international interest rates at present levels, traders and others continue to find the opportunity cost of investing in Brazilian soybean production in their favor. As such, local information indicates 90 percent of agricultural chemicals are sold in crop terms (swap); traders cover about 50 percent of soybean crop financing; commercial banks, using the GOB required cash deposit focused to agriculture with GOB backing, can cover up to 60 percent of soybean producers' needs; and, input dealers cover up to about 25 percent. In sum, not surprisingly, with the lucrativeness of soybeans, everybody is willing to invest in this market instrument. The following table provides an indication of the extent to which growing and merchandising soybeans over the last four years has been among the more profitable ways to invest resources compared to market alternatives.

Profitability of Soybean Versus Select Financial Instruments, 1988-2002

Net Annual Appreciation in Percentage Terms

YEAR/Inv. Tool	BOVESPA (1)	CDB-PRE (2) (30 DD)	Savings Acct Int. Rate	Dollar Official Ex	Dollar Black Mkt.	Gold BM&F (3)	Soybeans Average	Inflation IPC (4)
2002	-24,49	4,57	0,69	35,51	28,41	64,61	61,76	9,92
2001	-16,93	6,58	1,38	10,77	11,33	12,75	17,08	7,13
2000	-17,44	8,67	3,82	4,71	7,11	1,50	9,64	4,38
1999	131,89	10,68	3,32	36,24	39,13	40,59	46,09	8,64
1998	-32,25	24,12	16,52	10,24	9,44	5,53	-21,75	1,79
1997	38,12	14,68	11,13	2,42	3,42	-18,71	5,73	4,86
1996	48,82	11,19	5,74	-2,88	1,78	-7,08	9,75	10,04
1995	-19,83	18,20	13,46	-6,65	-7,74	-6,49	0,53	23,17
1994	27,21	14,55	7,18	31,53	-28,49	-31,77	-19,24	941,25
1993	113,71	10,73	5,49	1,55	-14,09	5,34	4,78	2490,99
1992	-9,26	30,07	8,51	-4,77	4,16	-3,80	16,14	1129,45
1991	332,40	21,44	5,52	-6,10	-1,15	-11,87	9,49	458,61
1990	-68,56	30,90	2,78	16,14	-44,92	-41,10	23,71	1198,54
1989	-0,13	-50,57	1,79	-19,14	13,71	7,34	-54,61	1764,87
1988	157,43	4,27	6,16	0,07	24,25	6,98	18,25	933,62

Source : Safras & Mercado (safras.com.br), based on IPC/FIPE data

Note: 1 - Brazil's Stock Exchange, 2 - Certificate of Deposit, 3 - Sao Paulo, Brazil Commodities and Futures Exchange, 4 - Nominal change

Due to strong international market demand, contracts with input suppliers and output buyers and subsequent high future prices, by October 2002 when the 2003 crop began to be planted probably about thirty to thirty-five percent of Brazil's soybean crop had already been forward sold. Yet, with an increasing sophistication among Brazilian producers

with regard to market cycles and pricing and their further solidified balance sheets, an increasing percentage is willing to pay to store their production rather than dump it into the market at or soon following harvest. Similar to soybeans, input suppliers, through favorable repayment terms, have increasingly been joined by cotton processors, in assisting larger farmers to finance their production. As stated earlier, market conditions have improved for cotton growers and will result in some recovery of cotton area next season. Nevertheless, a dramatic rise in cotton area is not foreseen.

Production costs vary by region due to many factors, including land values, input and transportation costs. Paraná is viewed as the optimal production area with richer soils and closer access to local markets and port facilities. The following tables provide an indication of soybean and cotton production costs in that state (IN MT or Parana) . As noted, local production costs in U.S. dollar terms were reduced for the 2002 crop versus that of 2001. The "swap" table – third table down – gives a real value indication that major inputs costs locally have been declining since 1999 .

Estimated Production Costs -- Parana (R$/Ha)				
Item / Crop Year	Soybeans		Cotton	
	2001/02	2002/03	2001/02	2002/03
Implement costs	94.42	122.26	242.31	318.32
Labor (temp)	21.22	18.74	532.28	580.08
Seed	51.25	63.75	60	161.4
Fertilizer	94.6	137.31	151.61	198.01
Agro-chemicals	139.49	152.5	319.6	371.26
General costs	4.01	4.95	13.06	16.29
Transport (Off-farm)	21.4	21.6	36	36
Receiving, bagging, cleaning	33.84	33.84	0	0
Technical Assistance	8.02	9.89	26.12	32.58
PROAGRO (crop ins.)	20.05	24.73	91.41	114.03
Financing costs	21.61	27	80.83	102.78
Variable Costs	509.91	616.57	1,553.22	1,930.75
Depreciation and land improvements	88.71	98.93	202.4	201.92
Capital repayment	52.51	68.59	34.68	55.54
Insurance, duties & taxes	12.47	17.9	10.25	16.26
Labor (fixed)	85.13	92.91	107.08	117.66
Land repayment	59.78	77.02	121.55	115.29
Fixed Costs	298.60	355.35	475.96	506.67
Total Production Costs	808.51	971.92	2,029.18	2,437.42
Est. Yield (MT/Ha)	2.82	2.82		
Exchange rate (R$/US$)	2.35	2.99		
Total Production Costs in US$	$344.05	$325.06	$863.48	$815.91
Source: Parana State Cooperative Union (OCEPAR)), 2002 (www.ocepar.org.br)				

Relative Swap Value of Soybeans for Inputs (60 kg bags per unit 1/)			
Year	Fertilizer	Harvester	Tractor
1992	24.6	6,764	3,039
1993	19.9	6,367	2,538
1994	20.1	6,487	2,328
1995	23.3	7,698	2,737
1996	20.9	5,091	1,901
1997	18.5	5,044	1,745
1988	22.7	6,427	2,078
1999	26.9	7,355	2,163
2000	25.4	7,059	1,960
2001	23.4	6,543	1,783
2002*	16.4	5,500	1,550

1/ Amount of soybeans need to acquire one metric ton of fertilizer, one harvester (120 Hp) or one tractor (75Hp/2X4).
*" estimate for fertilizer based on Jan-Oct. 2002 from the Brazilian Association of Fertilizer Distributors (ANDA), others by ATO São Paulo. Source for all other info: Paraná State Dept. of Agriculture (SEAB/DERAL), 2002 via (www.conab.gov.br/acms/clientes/conab/03)

Consumption

The projected MY 2003 oilseed crush, at 30.9 MMT, incorporates a more than a 13 percent increase in processing over the 2002 crop, almost all of which is accounted for by more soybean crushing. Soybeans account for close to 97 percent of the total. Higher soybean production explains the increase but there will be some challenges in marketing all of the expanded soybean meal output. The MY 2003 cottonseed crush, projected at 973 TMT, is an increase of three percent over last year's level because of an expected boost in the size of this year's cotton harvest. The current exemption of soybeans and derivatives that are exported from the domestic interstate movement tax (ICMS) is not expected to change, so there continues to be an incentive to move as much product through export channels as possible. While major importing countries continue to make investments in crushing and processing plants, major multinationals and local firms operating in Brazil are also expanding domestic crushing capacity. Demand for vegetable protein meals and market preference for "non-biotech" product in Europe help pull some of the Brazilian crush, though EU compound feed production has slowed of late. On the other hand, increased sales of poultry and pork products, for the domestic and export markets, contribute to steady demand for meal.

Trade reports indicate farmer selling of soybeans was active early as planting of the new crop approached but slowed as the U.S. 2002 harvest started. By the beginning of harvest approached in January, as much as one-half of this year's

crop had been sold. Crushers report little nearby concern for supply due to swap arrangements.

The forecast for MY 2004 (2003) total oilseed crush is for a sizable increase due to greater soybean and cotton production with continued albeit slower growth in domestic as well as export meal demand.

The 2002 (2001) crush estimate has been revised based on updated industry information. Post uses information of the Brazilian Oilseed Crushers' Association (ABIOVE) as the benchmark for the soybean processing industry.

Soybean production is expanding in the center-west and northern regions of Brazil, yet 60 percent of domestic crush capacity continues to be located in the states from Sao Paulo southward which will account for about 43% of the 2003 harvest of beans.. The CW region, with about 47 percent of the crop, has 27 percent of the crush capacity. The industry shift to the new production areas is taking place slowly, but because the south was the traditional production area, has a higher concentration of agricultural processing in general, and has better infrastructure and proximity to ports, it still retains a significant lead in overall capacity. One leading U.S. multinational will be operating their terminal facility in Santerem on the Amazon by April 2003 and the largest Brazilian "home-grown" soybean producer/processor, the Maggi Group, is in the process of relocating a facility from Paraná to the Amazon River port of Itaquatiara which should also be fully operational in the first trimester of 2003.

Installed Soybean Crush Capacity by State: 2002

State	Capacity MT/Day	% of Total
Paraná	28,650	25.9
Rio Grande do Sul	20,150	18.2
Mato Grosso	14,500	13.1
São Paulo	12,950	11.7
Goiás	9,060	8.2
Mato Grosso do Sul	6,630	6.0
Minas Gerais	6,450	5.8
Bahia	5,460	4.9
Santa Catarina	4,050	3.7
Amazonas	2,000	1.8
Pernambuco	400	0.4
Piauí	260	0.2
Ceará	0	0.0
Total	110,560	100.0

Source: Brazilian Oilseed Crushers Association ABIOVE (www.abiove.com.br)

Trade

2003 oilseed production is expected to jump seventeen percent compared to the 2002 harvest, and exports are forecast to increase by 23 percent. Imports, meanwhile, will become still less significant. Soybeans account for

essentially all Brazilian oilseed trade as most cottonseed is processed for domestic consumption. The value of the Real, vis-à-vis the U.S. dollar, and the aforementioned exemption of soybeans and products from export taxation favor their exportation. Indeed, though some agricultural sector observers expressed concern about the re-imposition of an export tax on soybeans to help finance social programs the new Lula Administration might want to implement, the consensus is that Brazil's new leadership wants to further lean on agricultural exports to propel the economy and is therefore disinclined "to kill the goose that lays the golden eggs". A quick review of soybean exports and those of meal and oil shows that since the start of this decade, proportionately more meal and oil is being exported than are beans, though, of course, soybean export volumes are greater than those of meal and oil combined. With an approximate six percent hike projected for next year's soybean crop, MY 2004, exports are anticipated to charge further ahead . The past year export figures have been revised based on GOB export data (SECEX).

Oilseed imports, predominantly soybeans, are forecast to decline in MY 2003, given the size of this year's domestic crop and what next year's is likely to bring. Data for 2002 has been actually been adjusted upward based on GOB import data. Paraguay is the traditional primary origin. The ICMS situation in Brazil and operational considerations result in some demand by local crushers for imported Paraguayan soybeans, on which ICMS is not charged, to maintain operations in southern plants rather than bringing domestic beans in from other states. Much of the resulting product then moves on to export.

Brazil is also a major export avenue for Paraguayan soybeans moving to export via the Paraguayan export terminal at the port of Paranagua. Upgraded rail service from southwest Paraná state to Paranagua, in addition to the traditional truck activity, will further facilitate these movements. Concurrently, barge movements from the Paraguayan bank of the reservoir north of the Itaipu Dam, up the Paraná and Tietê Rivers to a point just west of São Paulo city, makes the port of Santos an attractive alternative loading point.

While Paranagua has been the leading port for soybean shipments over the years, in 2002, both it and Santos each exported just over 30% of Brazil's soybeans. More northern ports are gaining share as production in the new lands expands and traders opt for ports closer to origination points. The ability to control mixing of incoming shipments from the interior lends yet more support for the smaller ports. However, with recent investments in rail service, port facilities and handling capacity at Paranagua and Santos, these export hubs are expected to continue to dominate the export picture for at least the next five to seven years .

Going north to south, the line up of major Brazilian soybean export points are: Itacoatiara (Amazonas), São Luis (Maranhão), Ilheus (Bahia), Vitoria (Espírito Santo), Santos (São Paulo), Paranagua (Paraná), São Francisco (Santa Catarina) and Rio Grande (Rio Grande do Sul). The ports of Caceres (Mato Grosso) and Corumba (Mato Grosso do Sul) are located on the Paraguay river, which then ship south to Atlantic export points in Argentina. As indicated in the following table, even though more and more Brazilian soybeans are grown and processed away from the traditional production areas of the south, close to eighty percent of Brazil's soybean exports are shipped from Santos and ports southward..

Based on the most recent information available, the Brazilian and Chinese government have agreed on new soybean export certificate wording by the GOB which acknowledges the possibility of an adventitious percentage of biotech soybeans along with conventional soybeans in shipments. In consequence, it looks like business as usual for traders. Obviously, it's in China's commercial interests to diversify the sources of its soybean imports to assure it gets the best price possible. In 2002, China was Brazil's largest market for soybeans taking around twenty-five percent of Brazil's soybean exports. China has also been the major destination for soybeans shipped from ports south of Santos.

Exports by Port, Soybeans: 2002/03 (Feb/Jan)				
Port	TMT	% Total		
		02/03	01/02	00/01
Paranagua	5130	32	31	39
Santos	5045	31	29	26
Rio Grande	1800	11	18	12
Itacoatiara	913	6	7	8
São Luis	650	4	4	5
Vitoria	1530	10	5	6
São Francisco	787	5	5	2
Caceres/Corumba	181	1	1	1
Ilheus	0	0	0	1
Others	29	0	0	0
Total	16,065	100	100	100
Source: DECEX/Safras & Mercados (www.safras.com.br)				

Stocks

The Brazilian government does not hold oilseed stocks. While on-farm storage exists, compared to other major producers, Brazil's on-farm capacity which currently can accommodate about 5% of the local crop is extremely small. So, cooperatives, private sector crushers and exporters handle the bulk of the storage process. Storage/origination capacity in the new production areas is increasing, and more cash-rich producers are investing in storage capacity on the farm. Moreover, as stated above, soybean producers are now less inclined to quickly sell production that has not already been contracted for and are increasingly electing to pay to store new crop production depending on current market pricing. More and more, one would expect there to be some the carry out of old crop soybeans. Nevertheless, early season new crop beans soybean begin entering the crushing system at harvest beginning in January. While little change is foreseen in stock levels this year, they are anticipated to increase in the out year.

In reviewing domestic soybean stock figures in Brazil, it should be noted that domestic processors and cooperatives carry soybeans as "stocks" until the commodity is priced. The physical soybeans, however, may have already gone to processing or export.

Policy

Minimum Prices

The following table shows the official minimum prices. The minimum price does not come into play in the soybean

sector. In the cotton sector, GOB actions are more significant.

Official Minimum Prices				
Product (Unit) / Crop Year	2001/02		2002/03	
Area	R$	US$	R$	US$
Cotton (15 kg)				
Center-South	--	--	--	--
Northeast	--	--	--	--
S, SE, CW & BA south	8.48	3.61	33.90	9.68
NE (except BA)	NQ		33.90	9.68
Cottonseed (15 kg)				
S, SE, CW & BA south	1.78	0.76	10.08	2.88
NE (except BA)	NQ		10.08	2.88
Corn (60 kg)				
S, SE, TO, BA south, MA south &, PI south	7.43	3.16	9.50	2.71
GO, MS & DF	7.21	3.07	8.50	2.43
MT, AC & RO	6.27	2.67	7.50	2.14
Soybeans (60 kg)				
S, SE & CW (except MT)	--	--	11.00	3.14
S, SE, CW & RO	10.18	4.33	--	--
N (except RO) & NE	9.66	4.11	10.40	2.97

Source: Ministry of Agriculture, CONAB
Note: S=South; SE=Southeast; CW=Center-West; NE=Northeast;
CS=Center-South;BA=Bahia; MT=Mato Grosso; TO=Tocantins; PA=Pará; PI=Piauí;
GO=Goiás; AC=Acre; RO=Rondônia; MA=Maranhão; DF=DistritoFederal.
Exchange rate:1997/98-R$1.065/US$; 1998/99-R$1.15/US$; 1999/2000-R$1.83/US$;
2000/01-R$1.85/US$; 2001/02 -R$2.35/US$; 2002/03-R$3.5/US$

Import Tariffs

The Brazilian Government's import tariffs on oilseeds and products are unchanged from a year ago and are contained in the MERCOSUL Common External Tariff schedule (TEC). Brazil, Argentina, Paraguay and Uruguay are members of the MERCOSUL trade pact. Bolivia and Chile are associate members. The tariff rates are noted above in the "Statistical Tables" section.

Interstate Movement Tax (ICMS) Exemption (Lei Kandir)

In September 1996, through "Lei Complementar 95-A", better known as the "Lei Kandir," the GOB exempted exports of raw materials and semi-manufactured products from the interstate movement tax (ICMS - Imposto Sobre Circulação de Mercadorias e Serviços). In other words, it canceled this export tax on soybeans and derivative products. Prior to the change, interstate movements of soybeans going to export were taxed at 13 percent, while

soybean meal and soybean oil were assessed lower rates: 11 and 8.5 percent respectively. While state governments are in desperate need of tax revenue sources and the domestic crushing sector continues to chafe under the exemption, elimination of the Lei Kandir does not appear likely in the foreseeable future. However tempting it may be for the Brazilian Government to consider an export tax because of the need for revenues in a taxation system that is in dire need of an overhaul, the prevailing sense (and certainly , the hope, by those in the industry) is that such a tax won't be re-adopted.

Biotechnology

The commercial use of Roundup Ready soybean seeds or other seed varieties produced through biotechnology continues to be illegal in Brazil. Resolution of the 1999 injunction against the commercialization of Monsanto's Roundup Ready Soybean (RRS), brought by NGO's (non-government organizations), namely Greenpeace and the Brazilian Consumer Defense Institute (IDEC), continues to follow a judicial process. The issue appeared to be moving toward resolution, but with the Lula Administration running Brazil's government since January 2003, questions linger about resolution of this issue. At the beginning of February 2003, the new Minister of Environment officially requested that the Solicitor General desist in its case to overturn the aforementioned injunction. During this same month, a separate GOB commission consisting of representatives of nine ministries has met and provisionally decided to continue the current ban on biotech seeds but appears likely to allow for the marketing of the 2003 crop as has occurred in years past. It should be noted however that there have been calls for the GOB to attempt to export as much if not all the biotech portion of the 2003, challenging as such a mandate would prove. There are indications that the GOB, may begin to attempt to crack down in earnest on farmers using biotech seeds with the coming 2004 planting season by attempting to make credit dependent, for example, on being able to demonstrate using conventional seeds. Conceivably, this could lead to shortage of seed in Rio Grande do Sul. Indeed, stringent enough measures could force some of these producers to switch to other crops. A more complete policy recommendation is expected by late March 2003.

Domestic opinions on biotechnology vary, but most producers favor authorizing its use. Their main concern, as with the trade, is with the marketability of their crop. There continues to be talk of a premium paid by foreign buyers for non-biotech soybeans, but farm gate prices do not reflect such a differential and only a minority of buyers in the EU and Japan are willing to pay a premium for non-biotech soybeans. Even with the lack of government approval, the use of biotech soybean seed varieties in the southernmost state of Rio Grande do Sul continues, and 70 percent of the crop there is estimated to be biotech soybeans. Overall, Brazil's 2003 soybean crop can be estimated to be between ten and twenty percent biotech. Sector talk notes the technology as having expanded further, with some indicating out into the CW and Northeast regions; however, other traders contend that ports from Santos northward are normally shipping biotech-free soybean cargoes.

While there is controversy surrounding the adoption of biotechnology for soybean production, Brazilian cotton producers would benefit noticeably from Bt cotton in terms of lowered input costs and producer risks.

The Brazil food labeling regulation for products containing biotech ingredients took effect as of December 31, 2001. This law makes it mandatory to label all foods for human consumption when more than 4% of the ingredients of a product are derived from biotech commodities.

Marketing

Brazilian soybeans are widely regarded for the high levels of protein and oil content. Those favorable characteristics are attributed to the tropical environment with abundant sunshine, long days and good rain. In view of the further weakening in the Brazilian Real vis-à-vis the U.S. Dollar that has occurred since 1999, Brazilian exports have benefitted significantly in the international market.

To the extent it can be viewed as a non-biotech soybean producer, Brazilian exporters use the idea to differentiate their product. While it is widely accepted that the crop in the state of Rio Grande do Sul, the third largest producer, is mostly biotech soybeans, Brazil continues to present itself as an exporter of a conventionally produced commodity. Information indicates that foreign buyers accept a "soft-IP" (identity preserved) from Brazilian exporters. This is reported to mean that soybeans and products exported from the port of Santos (São Paulo) north are assumed by the buyer to be transgenic free. Soybeans shipped from more northern ports tend to be from production areas in the CW, North and Northeast regions where the original contraband planting seed from Argentina was reported as unsuitable. Nevertheless, as noted above, Brazilian export data indicates that close to fifty percent of the soybeans exported from Brazil are loaded at ports to the south of Santos. Concurrently, with over 50 percent of the crushing capacity in their region, the ports south of Santos account for 65 percent of the soybean meal exports and nearly 100 percent of the soybean oil shipped overseas. Further, press reports indicate biotech soybeans are now being planted further north and sector comments indicate the planting seed is no longer all contraband from Argentina but, rather, is to a growing extent produced domestically.

Infrastructure

Transportation and port infrastructure development continue to be critical factors to the growth of Brazilian agriculture. While soils in the vast Cerrado region of central Brazil tend to be very receptive to good management, they also tend to be very poor in natural fertility and nutrients. Thus, in order to produce a soybean or cotton crop, every essential input, less rain and sunshine, must be transported to the production areas. Conversely, the resulting agricultural commodities, depending on location, may need to move in excess of 1,500 miles by truck to gain access to an export point.

Freight in Brazil has traditionally moved mostly by truck on a vast system of roads that vary in quality from very good freeways to very poor mud tracks. Trucks are still the dominant mode used to move inputs from port and interior origins to production areas and, conversely, commodities out to processors and export facilities. The privatization of major roads in several states has led to improved pavement but at a high cost in road tolls, which increase truck freight costs. This has also influenced routes used as truckers often seek to avoid toll roads. At the same time, the design of trucks and trailers used in Brazil has evolved. From the traditional single 27 metric ton straight-bed trailer, truckers are increasingly employing a double trailer arrangement that can carry close to 40 metric tons. With the 2003 soybean crop being moved to ports for export, the logjam at the major port of Paranagua is making the news anew in March 2003. In fact, a March 5, 2003 Reuters article points out that the backup in trucks headed to this port has now reached 40 kilometers, or about 25 miles. There is now speculation that the line of trucks could surpass the 2001 record of 100 kilometers. It is increasingly obvious that Brazil has to resolve some of its transportation shortcomings as it appears that the prevailing infrastructure can not accommodate much more growth in production. Nevertheless, the following table based on ABIOVE data shows that Brazil is making progress in moving more of its soybean crop by cheaper means of transportation, but, like Argentina to the south, is still dependent on trucking.

How Brazil Transported Its Soybean Crop (%)		
Mode of Transport	1995	2001
Roadways	67	60
Railways	28	33
Waterways	5	7

Investment in other modes has expanded with privatization of the railroads and increasing interest in waterways. The GOB has an impressive strategic plan for development of the transportation infrastructure, but the cost of realizing the total plan is tens of billions in $US, and while the support is strong for investing in improving rail, river and road transportation systems, the GOB has not identified the resources to pay for the improvements. In turn, questions remain about how far the program, Avanca Brasil, will go.

Among leading priorities are:

1) Paving the rest of the federal highway BR-163 which connects Cuiaba, the capital of Mato Grosso with the Santerem port on the Amazon in Para state. As is it is, this highway is paved through most of Mato Grosso; it's the remaining distance in Para, about 625 miles that has yet to be paved. There are also 80+ bridges that need to be built or reconstructed. Obviously, for soybeans from central and east-central Mato Grosso, finishing this road would lower transportation time and costs.

2) Expanding the use of the Madeira River which in 2003 should convey upwards of 1 MMT of soybeans by barges over 700 miles from Porto Velho, Rondônia (RO), northeast to the Amazon River port of Itacoatiara, Amazonas (AM). At that point, 160 miles east of Manaus, ocean-going 50 TMT size vessels are loaded and moved out to export markets. Latest freight costs indicate that shipping by waterways results in transportation charges that are 25 to 40 percent less than roadway costs per metric ton. Trade reports indicate additional capacity will be installed at Porto Velho to move soybeans to a Cargill facility due to be completed in April 2003 at the Amazon River port of Santarem, Pará (PA).

3) Using railways to move more soybeans. As the table above demonstrates, more freight is going by rail and the south has more rail infrastructure given that its been the traditional agricultural base. An ambitious plan to link Goiás state with the port of Belem on the Atlantic in Para state to move soybeans will provide a northbound rail link to complement the Ferronorte railway which is moving soybeans from the southeast corner of Mato Grosso at Alto Taquari, to the port of Santos, SP, a distance of just over 800 miles in a two day period in 2002 versus the four days it took on average in 2000.

4) Working on an extension of the Ferrovia Norte-Sul rail line in western Maranhão (MA) south into the state of Tocantins (TO) continues. Bridge construction at Estreito, MA, is complete and track work south into Tocantins is in progress. This will tie the southern most Norte-Sul railhead, via to the Ferrovia Carajás railway, to the northern port at São Luís, MA.

Southern Brazil also has a number of rail projects underway that connect more western origination points to the main ports of Paranagua, Paraná (PR), and Santos, SP. GOB information on the transportation projects can be found on

the Ministry of Transportation website (www.transportes.gov.br), as well as maps (mapas) indicating the projects, ports, roads, etc.

No doubt, where available, shipping by railway or waterway is less expensive than by road. As an indication of the freight rates and distances involved in moving commodities in Brazil, the following table is provided.

Examples of Freight Rates for Bulk Soybean				
Truck (production area to port/rail head)				
Origin	Destination	Distance (km)	R$/MT	R$/MT/KM
Sorriso, MT	Paranagua, PR *	2,179	112.30	0.0515
Vicentinopolis, GO	Santos, SP*	892	68.70	0.0770
Sapezal, MT	Santos, SP*	2,280	124.80	0.0547
Sapezal, MT	Paranagua, PR *	2,280	120.50	0.0529
Balsas, MA	Sao Luis, MA *	1,010	50.00	0.0495
Rio Verde, GO	Guaraja, SP *	967	63.00	0.0651
Colombia, SP	Santos, SP*	523	42.80	0.0818
Campo Mourao, PR	Paranagua, PR *	494	34.20	0.0662
Rail (production area/rail head to port)				
Cascavel, PR	Paranagua, PR *	557	25.00	0.0449
Porto Franco, MA#	Sao Luis, MA*	731	24.40	0.0334
Water (river port (Rio Madeiro) to river port (Rio Amazonas)				
Porto Velho, RO +	Itacoatiara, AM *	1,115	49.9	0.0448
Ibotirama, BA	Juazeiro, BA	604	18	0.0298
Source: CMA Mercado Agricola, Feb. 2003 (cma.com.br) *" Export point; "#" rail head; "+" river terminal				

B. TOTAL MEALS

Production

Total oilseed meal production for MY 2003 is projected at 24.1 MMT, up 15 percent from last season due to a much larger soybean harvest and resulting increased crush. Soybean meal accounts for 98 percent of total Brazilian meal production, with the remainder mainly cottonseed meal. Soybean meal production for MY 2003 is projected at 23.6 MMT, and MY 2002 (Jan-Dec) cottonseed meal output is placed at 526 TMT. Growth in next year's meal production level is forecast at three percent over this year's level as next year's soybean crop is expected to grow more slowly than the 2003 crop.

Consumption

Total meal consumption is projected to move in line with expanding domestic livestock and poultry production. For MY 2003, demand is anticipated to reach 9 MMT, up close to seven percent from last season. Soybean consumption

makes up nearly 94 percent of total meal use. Except for about five percent of cottonseed meal that is exported, everything else goes to the domestic feed sector. The forecast for 2004 is for a further increase in-line with the anticipated increase in local feed demand.

Though Brazil's economy has been facing a challenging economic situation with considerable public sector debt and record interest rates to borrowers, its trade surplus has never been higher, and soybeans have led the way as the single largest contributor to the trade surplus. Though the expectation if for exports of poultry and pork products to grow more modestly in 2003, whatever the increase, however reduced, will mean higher demand for feed inputs. Feed sector information indicates the poultry sector as the dominant consumer of soybean meal at approximately 65 percent, while the pork sector accounts for an additional 25 percent. The cattle sector takes nearly all of the cottonseed meal.

The Brazilian Livestock Feed Association (SNIAA) data for commercial feed production for 1998-2002 and utilization of inputs for 2002 are contained in the following tables.

Commercial Livestock Feed Production (TMT)

Type	1998	1999	2000	2001	2002
Poultry	17,141	19,237	20,178	21,756	23,060
Broiler	14,639	16,140	16,866	18,046	19,100
Layer	2,502	3,097	3,312	3,709	3,960
Swine	9,871	9,425	10,085	12,050	13,090
Cattle	1,591	2,070	2,469	2,982	3,290
Beef	0	471	470	478	550
Dairy	1,591	1,599	1,999	2,503	2,740
Pet Food	750	950	1,000	1,172	1,300
Horse	264	282	320	340	360
Aquaculture	80	99	127	162	195
Others	398	444	280	350	400
Total	30,095	32,507	34,458	38,812	41,695

Commercial Livestock Feed Input Demand: 2002 (TMT)

Input / Type of Feed	Poultry		Swine	Cattle		Others	Total
	Broiler	Layer		Beef	Dairy		
Corn	12642.9	2373.8	8572.7	111.8	556.7	1426.7	25684.6
Soybean meal	4568.3	710.5	2237	60.4	301.2	448.6	8326
Meat meal	837.5	185.7	457.6	0	0	92.2	1573
Wheat flour	228.4	249	1150.5	109.9	547.7	121	2406.5
Peanut meal	0	0	0	27.5	136.9	5	169.4
Rice meal	0	0	0	54.9	273.8	9.9	338.6
Cottonseed meal - 40%	0	0	0	93.4	465.5	19.8	578.7
Sorghum	163.7	77.5	261.5	22	109.8	33.3	667.8

Triticale	121.8	58.1	196.1	16.5	81.9	24.8	499.2
Lime	133.2	277.4	91.5	8.3	41.1	33.1	584.6
Salt	57.1	11.9	65.4	2.8	13.7	8.1	159
Bicalcium phosphate	133.8	7.9	20.9	3.8	14.8	10.7	191.9
Bone meal	148.5	0	20.9	2.8	14	10.4	196.6
Other	0	0	0	35.3	181.3	9.5	226.1
Sub-total	19035.2	3951.8	13074.1	549.4	2738.4	2253.1	41602
Premix/additives	65.2	8.2	15.8	0.5	1.7	1.9	93.3
Total	19100.4	3960	13089.9	549.9	2740.1	2255	41695.3
Source of both tables above: SNIAA (National Livestock Feed Industry Sindicate) (www.sindiracoes.com.br)							

Trade

Except for a small level of cottonseed meal exports, basically all exports are soybean meal, and these are projected to increase on the order of nineteen percent in MY 2003 as the higher domestic crush and the potential for strong demand for vegetable protein meals in the world market present sales opportunities. As suggested earlier, the forecast for meal exports in 2004 is for a more modest rate of growth due to a slower rate of growth in crush. Data for MY 2002 was adjusted based on official trade statistics.

Brazilian soybean meal exports by port for MY 2002/03 are reported by the GOB as follows:

Exports by Port, Soybeans Meal: 2002/03 (Feb/Jan)

Port	TMT	% Total		
		02/03	01/02	00/01
Paranagua	5525	43	42	41
Rio Grande	1860	15	16	12
Sao Francisco	653	5	8	13
Santos	2800	22	17	15
Vitoria	1360	11	12	13
Ilheus	535	4	5	5
Others	57	0	0	1
Total	12790	100	100	100
Source: DECEX/Safras & Mercados				

Relative to meal production, oilseed meal imports for MY 2003 are projected to remain minuscule. Depending on price and logistics, very small quantities of meal may be imported from Argentina and Paraguay. Imports for last season were adjusted based on official trade data.

Stocks

There are no GOB held meal stocks; all stocks are held by feed millers and crushers/exporters.

Marketing

Brazilian soybean meal enjoys a "high-protein" reputation and exports have benefitted from the relative low cost of the Real, vis-à-vis the U.S. dollar. The non-biotech label is also used by Brazilian exporters to attempt to differentiate their product from that of other international suppliers. However, as over 50 percent of the crush capacity is located in southern Brazil and two-thirds of Brazilian soybean meal is exported from ports on the southern coast, the commingling of transgenic and non-transgenic soybeans in the crush process is possible (See Total Oilseeds, Marketing). A final factor that results generates demand for meal is some lingering international concern over the use of animal-based protein sources for livestock feed.

C. TOTAL OILS

Production

Total oil output, projected for MY 2003 at 5.8 MMT, will be up about 14 percent from last season due to the larger soybean crush. Soy and cottonseed oil production are expected to reach 5.7 MMT and 156 TMT, respectively. As discussed earlier, meal demand is clearly the most important crush driver, oil prices have served to maximize output to the extent possible. Brazil also produces relatively small quantities of corn, peanut, palm, castor, canola and sunseed oils.

In keeping with bigger soy and cotton crops predicted for 2004, the forecast is for another increase in oil output, albeit at a smaller rate than this year's growth or that of 2002.

Consumption

Total oil consumption for MY 2003 is projected up nearly 4 percent from last year. Utilization of soybean oil, at 3.25MMT, accounts for 97 percent of the projection, with cottonseed oil the remainder. The forecast for MY 2004 is for oil demand to increase in line with population growth.

Soybean oil remains the principal home cooking oil in Brazil. Cottonseed oil goes largely to industrial uses, such as margarine. Other refined oils, such as corn, sunflower seed, canola and olive are readily available in many urban markets across Brazil.

Trade

Total oil exports for MY 2003 are projected at 2.6 MMT, up markedly from 2002, again, due to the boom in soybean crush. Out year exports are forecast to decline slightly due to an expectation of lower international vegetable oil prices which would allow for higher domestic soyoil use.

Exports of soybean oil by port for MY 2001/02 are reported by the GOB as below.

Exports by Port, Soybean Oil: 2001/02 (Feb/Jan)				
Port	TMT	% Total		
		01/02	00/01	99/00
Paranagua	722	47	65	59
Rio Grande	469	31	23	29
Sao Francisco	315	21	11	11
Santos	8	1	0	0
Others	18	1	1	0
Total	1533	100	100	100
Source: DECEX/Safras & Mercados				

As is the case for meal and oilseeds, imports of vegetable oil are expected to stay small and will continue to originate predominantly from MERCOSUL countries. With Argentine product prices now freed from the U.S. dollar, imports from that origin may be relatively less expensive. Argentina has been the larger supplier.

Marketing

Brazilian soybean oil exports have benefitted from the devalued Real, vis-á-vis the U.S. dollar. The non-transgenic label is also used by Brazilian exporters to attempt to differentiate their product from that of other international suppliers. However, as over 50 percent of the crush capacity is located in southern Brazil and nearly all of Brazilian soybean oil is exported from ports on the southern coast, the commingling of transgenic and non-transgenic soybeans in the crush process is a virtual certainty (See Total Oilseeds, Marketing).

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